



Report to the Auburn City Council

Action Item
6
Agenda Item No.

City Manager Approval

To: Mayor and City Council Members
From: Valerie Harris, Chief of Police
Date: Date of Council Meeting
Subject: Leasing of Vehicles Pilot Program

The Issue

Should the City Council approve a pilot program to study the feasibility of leasing vehicles, to include maintenance, rather than owning its non-pursuit rated public safety fleet vehicles?

Conclusion and Recommendation

Based on our research, Staff is recommending that the City Council approve a pilot program to test the potential benefits of switching from an ownership to a leasing model for its non-pursuit rated public safety vehicle fleet. The proposed fleet-lease pilot program promotes financially sound City government by affording the City an opportunity to study a potentially more efficient and effective model for operating its non-pursuit rated public safety fleet.

Background

The police department's non-pursuit rated public safety fleet is composed of fourteen vehicles, including a van, a pickup truck, a utility truck, a parking enforcement scooter and several automobiles which staff use in the performance of their job functions. At present, the entire fleet is City-owned, and purchasing new vehicles is funded from the Facilities Equipment Replacement Fund. Maintenance of vehicles is also handled by city staff for our vehicles; however, there are occasions when it is necessary to have the vehicles serviced by a dealer.

While turnover varies, the general pattern is to purchase the vehicle, operate it until it is obsolescent, then sell it at auction. The average age of a vehicle in the police department's non-pursuit rated public safety fleet is eight plus years with an average mileage of over 57,000.

In 2009, Enterprise Fleet Services approached the police department and made a presentation to executive staff about its fleet lease services. Following Enterprise's presentation, command police staff worked with other city staff to study the concept of a fleet lease model, ultimately concluding that the concept has potential cost savings, operational efficiency and air quality benefits, which deserve a closer examination.

Analysis

The proposed pilot program consists of immediately entering into a lease arrangement with Enterprise Fleet Services to lease rather than purchase two vehicles that the Council would have to authorized for acquisition in the 2010/2011 City budget. Under the proposed program, the City would enter into the lease agreement for two vehicles. The performance of the leasing pilot program would be assessed after FY 2010/2011, at which point staff would make a recommendation to the Council about whether or not to continue leasing fleet vehicles.

Under the proposed lease program, the City would retain the ability to select the vehicles and add features (emergency lights, radios, etc...) that allow staff to do their jobs most-effectively. Maintenance costs would be structured into the lease payment, with all tracking and scheduling performed by Enterprise. Maintenance could be performed by vendors within the city, keeping our dollars in local merchants' hands. Finally, at the end of a lease, the City would have the following options: (1) purchase the vehicle from Enterprise for the residual value; (2) have Enterprise sell the vehicle and keep the equity (resale amount less residual value); or (3) have Enterprise sell the vehicle and apply the equity towards a new lease.

The annual cost of the initial leases varies by vehicle, but ranges from \$4,754 to \$6,321. Included in this price are all maintenance and the equivalent of one new tire per vehicle per year. There is also the potential for additional rent on the vehicles in the event they are damaged beyond normal wear and tear or if they have diminished in value below wholesale as of the end date of the lease. However, staff does not believe the City will incur these costs because Enterprise has a broad definition of normal wear and tear for municipal vehicles, and the book value of the vehicles includes a cushion designed to avoid end-of-lease payments from lessees. Attachment 1 is a sample Fleet Planning Analysis that was provided by Enterprise. Although the analysis is based on a 20-vehicle fleet, the potential for savings, if we eventually included other City vehicles into the program, is significant.

Staff has relied upon a competitive selection process conducted by several other public entities (Attachment 2 is a partial list of current entities using Enterprise) to select Enterprise Fleet Services to administer the proposed pilot program. Best known for its retail car rental business, Enterprise also has a large fleet lease operation and has worked with other jurisdictions in California to provide the services contemplated under this pilot program. The pilot program will be evaluated after one year. Prior to making a recommendation about whether to continue use of the fleet lease model, staff will evaluate a variety-of quantitative and qualitative factors, including the overall cost of the leasing program vis-à-vis the existing approach, staff satisfaction with the leased vehicles, ease of maintenance, and the efficiency of dealing with the leasing company. Upon completion of the evaluation, should the Council wish to extend the use of the fleet lease mechanism; the City will prepare its own competitive selection process to choose a fleet services provider. If the City decides not to continue with the pilot program, the City would complete the 5-year lease terms on the pilot program vehicles but would not renew any of the leases when they expired.

The proposed program offers several potential benefits. For one, this approach will give staff the opportunity to avail itself of Enterprises substantial expertise to analyze (and potentially streamline) the city's fleet operations. More tangibly, the lease model also offers the promise of providing the police department and potentially the City with a newer vehicle fleet. Whereas the average vehicle in the police department's non-pursuit rated fleet is over eight years old, if the proposed model were adopted for the entire fleet, the oldest vehicle at any given time would be five years old, while the majority would be significantly newer. Since fuel economy, emissions control technology and mechanical reliability are better for newer vehicles, this reduction in the average vehicle age could result in significant cost savings to the City, while reducing air pollution emitted by City vehicles. The pilot program recommended in this report will allow the City to evaluate whether these savings occur in practice before committing to permanent changes in its vehicle procurement practices.

Alternatives Available to Council; Implications of Alternatives

The Council's primary alternatives are:

- 1) Approve pilot program
- 2) Approve pilot program with modifications; or
- 3) Decline to approve pilot program and direct staff to stop studying the fleet lease model.

Alternative 1 is staff's recommended action. Staff is open to Alternative 2, but staff does not recommend Alternative 3 because the fleet lease model appears to hold genuine promise as a way to improve the City's fleet operations.

Fiscal Impact

The City's 2010-2011 police department budget is going to have to include funds to purchase the two vehicles involved in the proposed fleet-lease pilot program at a cost of \$25,000-\$35,000 each. We currently have one vehicle that has a damaged transmission and is not considered to be worth repairing, three other vehicles that have over 100,000 miles, and three other vehicles that are approaching 100,000 miles. Since the cost of leasing these vehicles (\$23,770-\$31,605 over the course of a five year lease, to include maintenance) appears to be roughly equivalent to the cost to purchase over the five-year lease term, and only vehicles needed for replacement are involved, the actions proposed in this report are not anticipated to have a negative budgetary impact.

ATTACHMENT 1

Sample - Fleet Planning Analysis

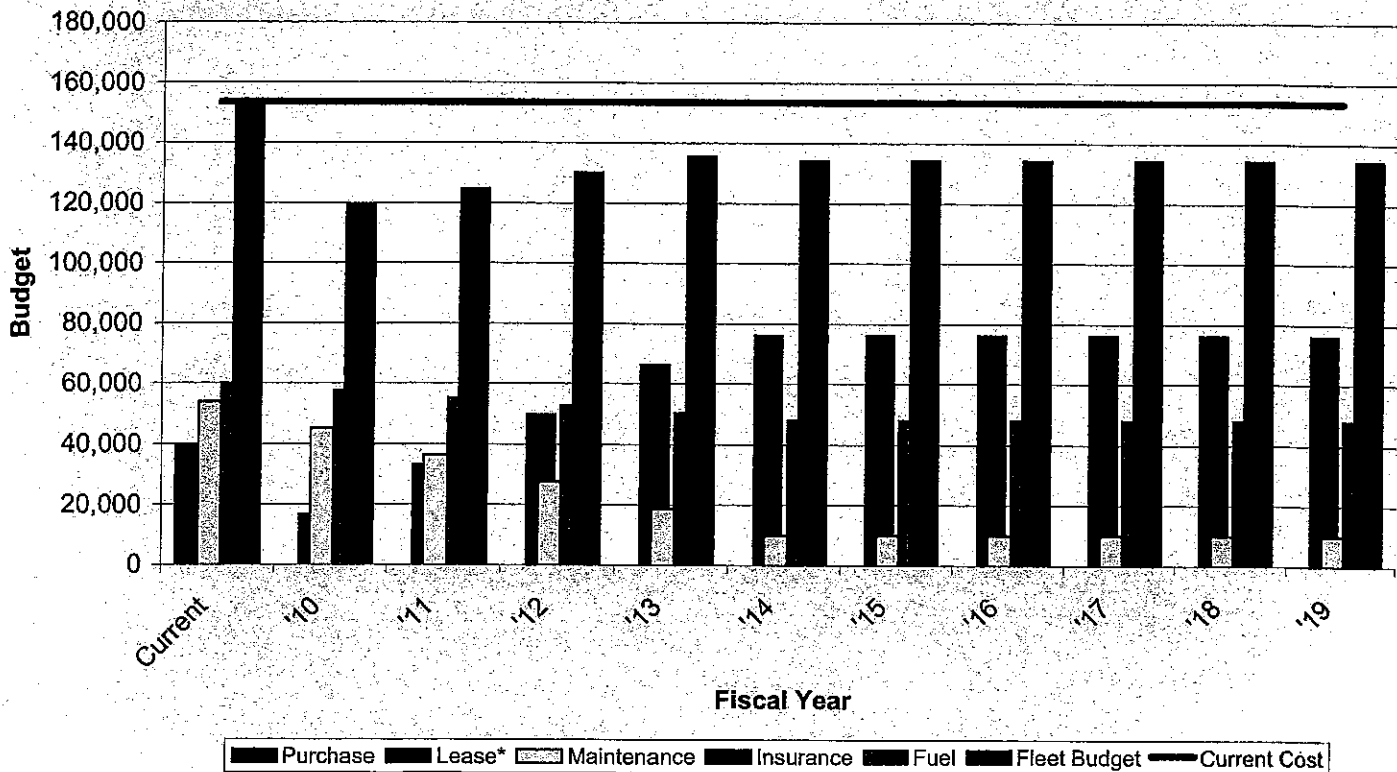


Current Fleet	20	Fleet Growth	0.00%	Proposed Fleet	20
Current Cycle	10.00	Annual Miles	10,000	Proposed Cycle	5.00
Current Maint.	\$225,000	Insurance	\$0.00	Proposed Maint.	\$41,579
Fuel Info		MPG	10	Price/Gallon	\$3.00

10 yr Savings	\$220,421
Long Term Avg. Savings	\$19,426/yr

Fiscal Year	Fleet Mix				Fleet Cost						Annual Savings
	Fleet Size	Annual Needs	Owned	Leased	Purchase	Lease*	Maintenance	Insurance	Fuel	Fleet Budget	
Current	20	2.0	20	0	39,713	0	54,000	0	60,000	153,713	0
'10	20	4	16	4	0	16,607	45,206	0	57,600	119,413	34,301
'11	20	4	12	8	0	33,214	36,412	0	55,200	124,826	28,888
'12	20	4	8	12	0	49,821	27,618	0	52,800	130,239	23,475
'13	20	4	4	16	0	66,427	18,824	0	50,400	135,651	18,062
'14	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426
'15	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426
'16	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426
'17	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426
'18	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426
'19	20	4	0	20	0	76,258	10,030	0	48,000	134,288	19,426

10 Year Budget Forecast



* Lease Rates are conservative estimates

ATTACHMENT 2



CITY GOVERNMENT

SANTA ANA
W. SACRAMENTO

COMPTON
TULARE

TORRANCE
RANCHO CORDOVA

INGLEWOOD
CCSD ELK GROVE

COUNTY DEPARTMENT

LOS ANGELES COUNTY SUPERIOR COURT
ORANGE COUNTY SUPERIOR COURT
SUPERIOR COURT OF CALIFORNIA, RIVERSIDE
ORANGE COUNTY FIRE DEPARTMENT
ORANGE COUNTY SHERIFF CORONER'S OFFICE

LAW ENFORCEMENT

SANTA ANA POLICE DEPARTMENT
PLACENTIA POLICE DEPARTMENT
BUENA PARK POLICE DEPARTMENT
BELL GARDENS POLICE DEPARTMENT
FOLSOM POLICE DEPARTMENT
ARCATA POLICE DEPARTMENT

CYPRESS POLICE DEPARTMENT
LA HABRA POLICE DEPARTMENT
AZUSA POLICE DEPARTMENT
FBI
ROCKLIN POLICE DEPARTMENT

SCHOOL

LOMA LINDA UNIVERSITY
LONG BEACH COMMUNITY COLLEGE
CAPISTRANO UNIFIED SCHOOL DISTRICT
MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
SAN JACINTO UNIFIED SCHOOL DISTRICT

TRANSPORTATION

ORANGE COUNTY TRANSPORTATION AUTHORITY
OMNITRANS

SPECIAL DISTRICT

SACRAMENTO AIR QUALITY DISTRICT
ARC SAN DIEGO
RETIREMENT HOUSING FOUNDATION
GREATER LA VECTOR CONTROL

CABAZON BAND OF MISSION INDIANS
ARC IMPERIAL VALLEY
LOS ANGELES CONSERVATION CORP

RESOLUTION NO. 10-

RESOLUTION ESTABLISHING A PILOT PROGRAM FOR THE POLICE
DEPARTMENT TO LEASE TWO VEHICLES

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY
RESOLVE:

That the City Council of the City of Auburn does hereby establish a pilot program for the Police Department to lease two vehicles for a period of five years to determine if leasing is a long-term and viable future option/solution to maintaining and replacing its non-pursuit rated vehicles.

DATED: January 11, 2010

Bridget Powers, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 29th day of June 2009 by the following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk